GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1931
ANSWERED ON:26.07.2002
MONTHLY INCOME PLAN OF UNIT TRUST OF INDIA
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Will the Minister of FINANCE be pleased to state:

(a) whether the small investors and pensioners who have invested their money in various Monthly Income Plan (MIP) schemes are not getting adequate returns from the UTI;

(b) whether UTI have declared return of just five per cent on MIP (First) and MIP (Second) of the year 2000;

(c) If so, the reasons therefor;

(d) whether this return is below the interest of Saving Fund Account and the RBI Bonds; and

(e) if so, the steps proposed to be taken by the Government to ensure that adequate return is given to small investors of UTI, MIP schemes?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI ANANT G. GEETE)

(a) According to UTI, it is presently managing 14 Monthly Income Plans of which 9 provide assuranceof a predetermined rate of return for the full term and 5 provide returns at rates which are reset at the commencement of each year. Returns for the year 2002-03 in respect of the five schemes which provide for annual reset have been assured at lower rates than in the past.

(b) MIP 2000(I) and MIP 2000(II) have declared income distribution of 3.04% p.a. and 5.12% p.a. respectively (on annualized basis)

(c) UTI has intimated that lower returns for theyear 2002-03 in respect 5 schemes which provide for annual reset are so assured due to lower earning capacity of these schemes on account of, inter-alia, higher provisioning for NPAs and prevailing market conditions leading to depreciation of equity.

(d) While the dividends declared for the period April 2002-March 2003 under the two schemes are lower than interest rates on RBI Bonds, the dividend under MIP 2000(II) is higher than savings account interest rate. It is lower in the case of MIP 2000(1).

(e) Government has extended a guarantee to UTI for Rs.1000 crores against the assets ofand cash inflows to Development Reserve Fund to honor the commitment to the investors in MIP schemes matured in June, 2002 and a MIP scheme maturing in August, 2002.